

SENATE BILL REPORT

E2SSB 5115

As Passed Senate, March 10, 2007

Title: An act relating to expanding competitive local infrastructure financing tools projects.

Brief Description: Expanding competitive local infrastructure financing tools projects.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Kilmer, Kastama, Kauffman, Marr, Shin, Eide, Rasmussen and Regala; by request of Governor Gregoire).

Brief History:

Committee Activity: Economic Development, Trade & Management: 1/24/07, 2/20/07 [DPS-WM].

Ways & Means: 3/02/07, 3/05/07 [DP2S, w/oRec].

Passed Senate: 3/10/07, 47-0.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

Majority Report: That Substitute Senate Bill No. 5115 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Kilmer, Vice Chair; Zarelli, Ranking Minority Member; Clements, Kauffman and Shin.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5115 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Minority Report: That it be referred without recommendation.

Signed by Senator Fraser, Vice Chair, Capital Budget Chair.

Staff: Dianne Criswell (786-7433)

Background: Public infrastructure funding is accomplished in a number of different ways in the state, including through local public facilities districts, and state funding approved by the Public Works Board or the Community Economic Revitalization Board (CERB). The

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Legislature has, in recent years, examined a number of ways to increase investment in public infrastructure in the state. Tax increment financing or community redevelopment financing is a method of redistributing property tax collections within designated areas to finance infrastructure improvements within these designated areas.

In 2006, the Legislature enacted the Local Infrastructure Financing Tool (LIFT) program through which public improvement projects designed to increase private development in a prescribed area, called a revenue development area (RDA), are selected. Local governments may finance public improvements within the RDA using revenue from a new sales and use tax, credited against the state sales and use tax and matched with local resources.

Summary of Engrossed Second Substitute Bill: The limit of the annual state contribution to LIFT projects in the state is increased from \$5 million to \$10 million.

Revenues from local public sources, used to match the state's contribution through the LIFT program to an infrastructure project, may not include funds from state grants, state loans, or other state monies.

The definition of property tax allocation revenue value, which determines the amount of local property tax to go to the local infrastructure project, is refined.

Applicants for a competitive LIFT project award may apply in calendar year 2008 and in 2009.

Revenue development area boundaries may not overlap one another, nor the boundaries of a hospital benefit zone.

The provision that neither local excise nor property taxes allocated under LIFT may exceed 80 percent of local funds contributed to a local infrastructure project is eliminated. If a local government does not issue bonds to finance an infrastructure project by the fifth year after the imposition of the new local sales and use tax credited against the state tax, the new local tax may no longer be imposed.

Public improvement costs may be paid on a pay-as-you-go basis but, if bonds are issued, use of public revenues for pay-as-you-go must cease on the date that debt service on the bonds is due.

The Department of Revenue and CERB are given rule-making authority related to the LIFT program. There must be evidence and findings that projects and local improvement financing will not contribute to sprawl.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Economic Development, Trade & Management):
PRO: This bill will expand LIFT. The need for more infrastructure development has become apparent. LIFT projects will provide a good return on investment to the state. The legislation

is a refinement of the LIFT bill passed last year. The bill allows more than one RDA per county. Under the bill, the state has to benefit as much as the locals.

Persons Testifying (Economic Development, Trade & Management): PRO: Marc Baldwin, Governor's Office; Ellie Chambers, City of Puyallup; Steve Burdick, City of Vancouver; Ashley Probart, Association of Washington Citites; Jim Hedrick, Spokane Chamber of Commerce; Julie Murray, Washington Association of Counties; Sharon Wylie, Kitsap and Clark Counties; Miki Gearhart, Department of Revenue; Michael Weight, City of Bothell; Tom Parker, Kendall Yard.

Staff Summary of Public Testimony (Ways & Means): PRO: City of Bellingham is one of the demonstration projects that launched this program. We are well underway and things are moving along well. We support the LIFT bill, as does the Association of Cities.

Persons Testifying (Ways & Means): PRO: Dick Little, City of Bellingham.